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TWICE A WEEK, \$1.50 A YEAR.

M. A. CARLISLE CASE IN FEDERAL COURT

SETTLEMENT MADE AND ACCEPTED BY BANK.

President B. C. Matthews Testifies as to Agreement Between Bank and Carlisle.

Greenville News, Oct. 12.

That Milton A. Carlisle, former president of the Newberry National bank, now on trial on the charge of misapplication of the funds of the bank, in the special term of the United States district court here, made an assignment of a considerable amount of personal property for the benefit of his personal indebtedness to the bank, developed yesterday afternoon during the cross-examination of B. C. Matthews, present president of the bank.

The personal property included certain life insurance policies, to the extent of about ten thousand dollars, face value, which are now the property of the bank, and are enumerated among the assets of the same, according to evidence brought out yesterday afternoon. The case was gotten well into yesterday, but it is probable that at least another day will be consumed in taking of evidence, and another in the arguments, and present indications do not point to the rendering of the verdict before Friday, at the earliest.

Sometime was consumed yesterday morning by the court, which was called by Judge Brawley about 10 o'clock, in the drawing of the jury. When the panel had been completed, the defendant was asked to enter his plea, but his attorneys asked that the indictment be read. After some argument on this point, Judge Brawley ordered the indictment read. The document is quite lengthy, containing over three hundred pages of typewritten matter, in which are set forth 162 separate counts. It was at first supposed that it would take the remainder of the day to get through this, but District Attorney Cochran stated that all the counts could be embraced under eight or nine separate heads, and that it would be necessary to read only the first of each division, the others being different only in details of figures, name, etc. Counts 1 to 75 inclusive, pertained to misapplication of the funds of the bank with regard to the personal account of Mr. Carlisle, and alleged that during the years of 1907 and 1908, for the most part, he overdraw his account, and made the overdrafts good by his personal notes, unsecured, this being done, it is alleged, without the consent or approval of the directors, or officers of the National Bank association. Count 74 related to the plantation account of Mr. Carlisle, against which the allegations were of the same nature, as also were counts 75 and 146, which related to the account of the Cold Point Granite company, a corporation alleged to have been insolvent from its inception, and of which Mr. Carlisle was president and treasurer. The remainder of the counts related to accounts of individuals, and to loans which had been made, it was alleged, upon drafts upon cities, etc., which were refused payment upon presentation.

After the reading of the indictment Mr. Carlisle entered his plea of not guilty to the entire indictment, including all counts. Mr. Cochran, the district attorney, then read laws number 5,209, and 5,208, a violation of which former composes the bulk of the indictment. He then made a statement of what the government would endeavor to prove in the case.

The government would offer to prove, stated Mr. Cochran, that the National Bank of Newberry was an organized national bank, that Mr. Carlisle was president, and that during the year 1908, he was insolvent, or hopelessly involved, and that he should have known that any money drawn by him would not or could not have been paid back by him.

That all that time, he was over-drawing his account, and that the government would also offer evidence that he had previously overdrawn his account, and was drawing notes against these overdrafts, and that he had done this without the authority of the board of directors. His indebtedness to the bank, under these

circumstances, would be shown to be about \$19,000. The government would also show, according to Mr. Cochran, that the directors had passed resolutions and taken other steps to prevent this misapplication of the funds. Also, that the Cold Point Granite company, was an insolvent corporation from its inception, and that no money had actually been paid out by the incorporators. That Mr. Carlisle during 1908, was an officer and stockholder of the Cold Point Granite company, and its president, secretary and treasurer, and that as an officer, he had made overdrafts on the deposits in the National Bank of Newberry, and knew, or should have known that by his action of permitting overdrafts from time to time, the association would be cheated, and that the board of directors did not authorize this, but tried to check it. The government would show that the total amount of the overdrafts on the account of this company, was about \$15,000, and that this amount was lost to the association.

The government would also show, said Mr. Cochran, that Mr. Carlisle as president of the Cold Point Granite company, drew three separate drafts in favor of the Cold Point Granite company, and obtained the actual cash. These drafts were refused payment, and when the persons upon whom drawn did not pay the money, the amount was not turned over to the bank. The government would also show, stated Mr. Cochran, that one J. J. Lane was indebted to the bank at the time Mr. Carlisle was president, and was willing to pay to Mr. Carlisle \$400 for the extension of this indebtedness, this money was not paid to the bank.

Mr. B. C. Matthews, present president of the Newberry National bank, was the first witness placed upon the stand, after the attorney had finished his statement of the case. He remained there only a short time, the only matters brought up at this time being the identification of the records which had been brought up from Newberry, for the case. Mr. J. H. Hunter was also placed on the stand, to testify that he had been secretary of the directors for a time, and that the minutes as kept by him were correct to the best of his knowledge. The same evidence was obtained from Mr. F. N. Martin, at one time secretary for the directors' meetings.

While Mr. Hunter was on the stand, however, a number of extracts from the minutes were read, showing the action of the directors to prevent Mr. Carlisle from making these alleged loans and discounts in violation of the banking laws. The minutes contained resolutions, adopted to prevent any officer from making loans, exceeding certain minimums, without the consent and approval of certain committees, the finance committee, at one time, and the discount committee at another, the wording, figures, etc., of the resolution being amended from time to time, but appearing to all intents to preventing an officer from making loans without the knowledge and approval of a certain number of the directors. These excerpts from the minutes began with September, 1901, and continued through April 6, 1908.

Mr. Matthews was then again put on the stand. After a number of checks, notes, etc., bearing on the case, had been identified, intended to be put in evidence later, stated that he had been put on the discount committee, mentioned above, during 1908, by the president. He was given the minute book of this committee, which at that time had the task of approving the loans, etc., of the president, as mentioned, and was asked by the district attorney if there was any authorization for overdrafts on the personal account of Mr. Carlisle. Mr. Matthews stated that he had recently looked through the book and could find none. There was none, it was also brought out, for those on the account of the Cold Point Granite company, and no authorization of the taking up of the overdrafts by personal notes. There was some discussion as to the Cold Point overdrafts, but nothing definite was brought out as to any action of the committee.

Court adjourned at one-thirty for the dinner recess, and the session resumed at 4 o'clock. Mr. Matthews was again placed on the stand, and his testimony was continued.

After recess the action of the com-

mittee in regard to these overdrafts was investigated farther, but among the principal important points brought out were that the committee had demanded the payment of certain overdrafts of Mr. Carlisle by the first of December, 1908, the date of this order being fixed at about a month prior to this time. From the loose leaves from the bank books, brought to the court, a list of the checks drawn by Mr. Carlisle after he had been asked to make good the overdrafts was read. Letters were also offered in evidence, from Mr. Matthews, after he had been made president, from Mr. Carlisle, authorizing a transfer of bank stock.

In reply to questions of Mr. Cochran, Mr. Matthews stated that the capital of the bank was \$150,000, and that its surplus, at the time in question, was about \$35,000. This included the "bad debts" besides the indebtedness of Mr. Carlisle, amounting to about \$10,000, and that including all these debts, the surplus was impaired to such an extent that it would not have brought par.

Mr. Dominick, of the firm of Blease & Dominick, representing Mr. Carlisle, asked Mr. Matthews to name the deposits made by Mr. Carlisle during the last two months in 1908, and to compute the amount of the checks drawn by him. The evidence obtained in this way appeared to show that Mr. Carlisle had reduced his overdrafts to a considerable extent, after he had been notified by the committee to make good the overdraft by the first of December. The deposits made, it was brought out, were the salary of the defendant.

In answer to questions of Mr. Dominick, Mr. Matthews stated that he had been connected with the bank since 1906, that in 1907 he was elected a director, and in 1909 president; that it was on the 30th of March that he had been appointed on the discount committee. It was brought out that the duty of the directors was to keep a supervision of the affairs of the bank, and Mr. Dominick attempted to have Mr. Matthews show the number of directors meetings that had been held since the establishment of the bank, but on account of the time which would be consumed, this was passed over until a later time, though the attorney stated that it was very material to the case.

Mr. Matthews stated that he did not know anything at all about indebtedness of Mr. Carlisle until he became a director, and then did not learn the details until 1908. An examination of the books was made by Mr. Matthews to show the overdrafts, indebtedness, etc., of Mr. Carlisle on his personal account, during 1907. These figures were given, and it was stated that on the 24th of December the amount of these overdrafts was \$3,318.85, and Mr. Matthews stated that he did not know of any security. At that time, stated Mr. Matthews, in answer to questions tending to find out why the directors did not take some steps to investigate the matter, he did not know of the overdrafts of Mr. Carlisle, being under the information that a director had no right to look over the books of the bank, but that he knew that Mr. Carlisle had overdrawn.

A reference to the books was made to get the amount due the bank, in the way of notes, during 1907, and the list of these was read, most of them being signed only by Mr. Carlisle. These totaled \$14,717.15, and together with the overdraft, made a rough total indebtedness of about \$14,000 during 1907.

"Yet during 1907, while you were a director, having charge of looking into this matter, this was allowed to go on," asked Mr. Dominick, and Mr. Matthews answered "Yes." When asked what was done in regard to these accounts, by the board of directors through the time that he was on the board, from 1907 to 1910, Mr. Matthews stated that nothing was done in 1907, and nothing in 1908, except what appeared on the minute book, referring to the action demanding the payment of the overdraft by December 1, etc.

When asked if any report was made on notes, Mr. Matthews found the minutes of February 21, 1907, at which the finance committee reported that it had examined and approved the loans up to January 22 of that year, as per the certificate attached, which was read. A report of the finance

committee, also on loans up to February 8, of that year, was found, but it does not appear to have been brought out satisfactorily that this was entirely adopted by the directors. A note, however, of the Cold Point Granite company, made on December 29, 1906, was located, which had been put on the books on January 24, 1907, and Mr. Dominick attempted to show that this fell within the term covered by the committee's approval, but does not appear to have been entirely successful. An examination into the J. J. Lane account was postponed until certain records can be obtained from Newberry, which are promised the court this morning.

Another examination into the minutes, however, showed a report from the finance committee, under date of April 18, 1907, stating that all loans had been examined by the committee and found in good shape. In Mr. Hunter's handwriting was found written here the letters "Appr" signifying that the report had been approved by the directors.

Mr. Matthews was asked what action had been taken in regard to Mr. Carlisle's indebtedness after Mr. Matthews became president of the bank. A letter was read from Mr. Carlisle to Mr. Matthews, making an offer to make an assignment, and offered to the bank a list of life insurance policies, aggregating about ten thousand dollars, face value, ten shares of stock in the B. F. Johnson Publishing company, and \$1,875 in cash, in settlement of his indebtedness to the National bank. This proposition was made with the statement that all the personal obligations of Mr. Carlisle was to be marked off, and he be sent a receipt in full.

The minutes of the directors' meeting following this were put in evidence. At that meeting, the offer was considered, there being five out of seven directors present, and a resolution adopted "that the president is hereby authorized to make a settlement with M. A. Carlisle of his personal obligations with the National bank, with full power to act, in the premises." When asked what action was taken by him, Mr. Matthews stated that he had sent Mr. Carlisle a receipt for them, which was read somewhat as follows:

"I hereby acknowledge receipt of policies to be applied to the personal obligations of M. A. Carlisle, and also ten shares of the B. F. Johnson Publishing company stock, and \$1,875 in cash, to be applied in above agreement. When policies are properly signed personal obligations will be marked paid and delivered." These obligations were stated to amount to about \$19,000. This receipt made mention of a note of \$300, of J. A. Blackwelder, which had been mentioned in the list of property by Mr. Carlisle together with the policies, but which had not so far received the indorsement to transfer it.

"Have you received the insurance policies that are set out here?" asked Mr. Dominick. "Yes."

"Where are these policies?" "Here."

"In whose possession?" "The bank."

"To whom do they belong?" "We think the National Bank of Newberry."

"You had possession of them from the date they were turned over to you until this time?" "Yes."

When asked if the bank used them and treated them as its own property, Mr. Matthews stated that it did, and further cross-examination brought out that the bank paid the premiums on them, and carried them on the books as a portion of the assets, to the amount of about \$6,000, the face value being about \$10,000. Mr. Matthews stated that he had received everything mentioned by Mr. Carlisle in the letter with the exception of the note referred to; that the cash was in the form of checks, which were cashed after being kept for a time. When asked if the bank had ever returned to Mr. Carlisle his notes, marked paid, according to the agreement, Mr. Matthews stated that these had not been returned. A letter to Mr. Matthews, from Blease & Dominick, attorneys for Carlisle, at that time, demanding either the return of the securities, or the receipts, notes, etc., naked paid, in cancellation of Mr. Carlisle's personal indebtedness, was read, and Mr. Matthews admitted that he had never answered the letter, and had neither returned the policies, nor

At this point the court adjourned until this morning at 10 o'clock, when the examination of Mr. Matthews will probably be resumed. The case has aroused considerable interest throughout this section, and quite a number heard the testimony yesterday.

The following is the jury which has charge of the case:

J. A. Brock, J. F. Atkins, Mr. Lawson Thompson, W. C. Watson, E. D. Bowers, Will Reid, F. J. Alverson, W. O. Johnson, Jno. S. Harmon, W. M. Stowe, J. H. Paris, E. R. Goodwin.

Case Started Monday.

Greenville News, 11th.

For the purpose of hearing the case of the United States against Milton A. Carlisle, former president of the Newberry National bank, of Newberry, S. C., charged with violation of the banking laws, a special term of the United States District court convened yesterday morning in the federal building, Judge William H. Brawley presiding. After a session of about two hours, the court adjourned to give the attorneys for the defense the opportunity to make an inspection of records of the bank, bearing on the case.

The only matter of importance transacted was the overruling of a motion by the attorneys for the defense to quash the indictment against Mr. Carlisle. Court will convene this morning at 9 o'clock.

A true bill was returned against Mr. Carlisle by the grand jury at the October session of the federal court in this city last October. The indictment is quite lengthy, containing 342 pages of typewriter copy, in which are contained 162 separate counts. These charge, for the most part, misapplication of the funds of the bank to the extent of about \$15,000, together with other violations of the banking laws. Mr. Carlisle is represented by Blease and Dominick, of Newberry. The case is being prosecuted by District Attorney Ernest F. Cochran. Among the witnesses in the case is Mr. B. C. Matthews, present president of the Newberry National bank. It appears likely that the case will continue several days, and possibly throughout the entire week.

Judge Brawley convened the court yesterday morning at 10 o'clock, and after the roll of jurors had been called, the case was at once gone into. When asked if they were ready for trial, Mr. Dominick, representing the defense wished to know if all the records from the bank, which he had subpoenaed Mr. Matthews to bring, had been brought to the city. The list was gone over, and it was found that with a few exceptions, practically all these were in the court room. Nearly an hour was taken up hearing arguments for opportunity on the part of the defense's attorney to examine these records of the bank.

Mr. Dominick made a statement of the difficulty that had been experienced in getting at these records, which was for the most part corroborated by Mr. Cochran, who stated the position of the bank to be that the bank officials would not allow a general inspection of all the books by any one, and asked that those records be specified which the attorneys desired. Mr. Dominick stated that this could not be done, since they could not decide without first looking through the books, what would be relevant to the defense, and what otherwise. Judge Brawley decided that the attorneys should have the opportunity of examining the books, and designated Mr. Mower, one of the directors of the bank, to be present with the attorneys, during the examination, cautioning them that they were to examine into only that which they thought to bear on the case. The attorneys stated that they would require all the afternoon to make the inspection, and court was adjourned until this morning.

Before adjournment, however, Mr. Blease made a motion to quash the indictment, for which, however, Judge Brawley decided that there was not sufficient legal reason, and accordingly overruled. Mr. Blease's grounds for the motion were that the indictment was too cumbersome, and that the grand jury could not possibly have gone over satisfactorily the entire matter, in one day as the dates showed they did, rendering a true bill. The indictment contained 162 counts, as stated by Mr. Blease, who dubbed it a "legal monstrosity," and should be a tendency for

the petit jury to render a sweeping verdict one way or the other on the whole, without rendering a separate verdict for each count. In response to this Mr. Cochran put forth argument to show that the number of counts have been grouped under eight or nine separate divisions, making it easy for the jury to classify the evidence, and render the verdict accordingly, and hence that the grand jury could easily have rendered its verdict of true bill in one day.

Court will convene this morning about 9 o'clock, and it is probable that the case will be gone into immediately, all preliminary motions and objections having been disposed of yesterday. Only twenty-seven of the venire of jurors answered to their names yesterday, but it is expected that all will be present today. Before dismissing the jury for the day, Judge Brawley gave any who thought he would be liable to break down during the case, which would be along and difficult one, to state this fact in order that he might be excused. One man was excused under this condition.

President Matthews Still Testifies.

Augusta Chronicle.

Greenville, S. C., Oct. 12.—Efforts to prove the continued insolvency of Milton A. Carlisle during the years 1907 and 1908, characterized the testimony put up by the government today in the case against the former president of the Newberry National bank, on trial here in the district court, charged with misapplication of the funds of the bank.

The defense endeavored to show that the affairs of the bank had not been properly looked after by the directors and many details in regard to the compromise offered by Mr. Carlisle in transferring certain life insurance policies and other securities to the bank in settlement of his indebtedness were brought out by both sides.

The examination of B. C. Matthews present president of the bank, occupied the greater part of the day, but a number of bankers from whom Mr. Carlisle had borrowed money were put up by the prosecution.

It is probable that the trial will continue through the remainder of the week.

THE NEWS OF PROSPERITY.

Improvements at Farmers' Bank— Missionary Society Meeting— Personal Mention.

Prosperity, Oct. 13.—Mrs. Lewis Scott, who has been visiting Mrs. J. E. T. Scott, left Wednesday for her home in Pacolet.

President W. W. Wheeler, of the Peoples' National bank, is attending court in Greenville this week.

Mr. D. W. Waters, of Atlanta, was in town yesterday.

Mrs. Lizzie Boinest is visiting her daughter, Mrs. E. O. Counts.

Mrs. F. R. Hunter, of Newberry, is visiting Mrs. G. Y. Hunter.

The young people's society will meet Friday night in Grace Lutheran church.

The Woman's Missionary society will meet in Grace Lutheran church Friday afternoon at 4 o'clock.

Mrs. B. B. Hair went to Newberry Wednesday to see her mother, who is very ill.

We see the Farmers' bank building has on a new coat of paint, which adds greatly to its appearance.

Mrs. C. M. Harmon entertained the Literary Sorosis Thursday afternoon.

Mr. B. B. Hair has moved his store from his old stand, over on Main street in the S. S. Birge building.

Mrs. L. M. Calhoun, of Columbia, was the guest Monday of Mrs. C. M. Harmon.

Miss Kate Thompson is spending several days in Newberry.

Mr. and Mrs. W. B. Havird and children have returned to Saluda after a visit to Mrs. Havird's father, Mr. B. B. Hair.

Mrs. R. E. Shealy is visiting relatives in Pomaria.

Mrs. Mary Rawl, of Lexington, and Miss Sallie Barre, of Newberry, are the guests of Mrs. J. A. Simpson.

Mrs. Rosa Suddath, of Saluda, is visiting Mrs. L. L. Dominick, on Route No. 4. She attended services at St. Lukes last Sunday, there being a lapse of over 40 years since she was there before.

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